FTX Trading Ltd.

Consolidated Statements of Shareholders' Equity

(In thousands)

	Preferred Shares						Common Shares									
	Series A Shares	Amount	Series B Shares	Amount	Series B-1 Shares	Amount	Shares	Amount	Additional Paid-in Capital	Shares Issuable	Receivable, Related Party	Subscription Receivable	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest in Consolidated Subsidiary	Total Shareholders' Equity
Balance at December 31, 2019	96,457	$ -	-	$ -	-	$ -	385,827	$ 1	$ 15,977	$ -	$ -	$ -	$ (6,949)	$ -	$ -	$ 9,029
Issuance of common shares	-	-	-	-	-	-	4,683	-	9,366	-	-	-	-	-	-	9,366
Acquisition of Blockfolio, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,996	75,996
Mark to market receivable, related party	-	-	-	-	-	-	-	-	-	-	(44,641)	-	-	-	-	(44,641)
Purchase of additional Blockfolio shares	-	-	-	-	-	-	-	-	222	-	-	-	-	-	(498)	(276)
Net income	-	-	-	-	-	-	-	-	-	-	-	-	16,696	-	-	16,696
Balance at December 31, 2020	96,457	$ -	-	$ -	-	$ -	390,510	$ 1	$ 25,565	$ -	$ (44,641)	$ -	$ 9,747	$ -	$ 75,498	$ 66,170
Issuance of common shares	-	-	-	-	-	-	46,900	-	487,467	-	-	(6,270)	-	-	-	481,197
Issuance of preferred shares	-	-	37,884	-	3,189	-	-	-	1,109,051	-	-	-	-	-	-	1,109,051
Share issuance costs	-	-	-	-	-	-	-	-	(7,407)	-	-	-	-	-	-	(7,407)
Share-based compensation	-	-	-	-	-	-	-	-	8,960	-	-	-	-	-	-	8,960
Share-based marketing expense	-	-	-	-	-	-	-	-	-	31,684	-	-	-	-	-	31,684
Mark to market receivable, related party	-	-	-	-	-	-	-	-	-	-	(451,760)	-	-	-	-	(451,760)
Conversion of Series A shares to Common shares	(96,457)	-	-	-	-	-	96,457	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	-	-	-	388,462	-	-	388,462
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,886)	-	(1,886)
Balance at December 31, 2021	-	$ -	37,884	$ -	3,189	$ -	533,867	$ 1	$ 1,623,636	$ 31,684	$ (496,401)	$ (6,270)	$ 398,209	$ (1,886)	$ 75,498	$ 1,624,471

The accompanying notes are an integral part of these consolidated financial statements.

FTX Trading Ltd.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows from operating activities		
Net income	$ 388,462	$ 16,696
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,822	722
Share-based compensation	8,960	-
Share-based marketing expense	31,684	-
Changes in operating assets and liabilities:		
U.S. dollar denominated stablecoins	(413,247)	(20,724)
Accounts receivable, net	(1,271)	243
Interest receivable	2,402	(2,287)
Prepaid expenses and other assets	(57,113)	(350)
Other non-current assets	(55,244)	-
Accounts payable and accrued expenses	14,321	1,831
Net cash used in operating activities	(75,224)	(3,869)
Cash flows from investing activities		
Acquisitions, net of cash acquired	(59,247)	(4,443)
Purchase of website domain name	-	(330)
Purchase of property and equipment	(4,022)	(17)
Net cash used in investing activities	(63,269)	(4,790)
Cash flows from financing activities		
Issuance of common shares	481,197	9,366
Issuance of preferred shares, net of issuance costs	1,066,244	-
Related party receivable	(1,224,726)	-
Related party payable	325,367	-
Net cash provided by financing activities	648,082	9,366
Effect of exchange rates on cash	211	-
Net increase in cash and cash equivalents	509,589	707
Total cash and cash equivalents at beginning of period	707	-
Total cash and cash equivalents at end of period	$ 510,507	$ 707
Noncash investing and financing activities:		
Purchase consideration paid in U.S. dollar denominated stablecoins	$ 167,335	$ -
Purchase consideration payable	$ 101,214	$ -
Issuance of common shares receivable	$ 6,270	$ -
Common shares issuable for marketing expense	$ 31,684	$ -
Issuance of preferred shares for U.S. dollar denominated stablecoins	$ 35,400	$ -
Non-controlling interest purchased in accounts payable	$ -	$ 276
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2	$ -
Cash paid for income taxes	$ 46	$ -

The accompanying notes are an integral part of these consolidated financial statements.

FTX TRADING LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Operations

FTX Trading Ltd. (together with its consolidated subsidiaries referred to herein as "the Company", "the Exchange", or "FTX") was incorporated in Antigua in 2019. The Company operates globally, primarily in the Bahamas, which is the Company's headquarters, and Antigua, while also maintaining operations in U.S., Switzerland, Turkey, and Australia. The Company is a leading provider of end-to-end financial infrastructure and technology for the cryptoeconomy, however it does not provide service to US customers and customers in other restricted jurisdictions.

The Company offers innovative products including industry-first derivatives, options, volatility products and leveraged tokens, on a platform utilized by professional trading firms and first-time users. The Company offers retail users the primary financial account for the cryptoeconomy, institutions a state-of-the-art marketplace with a deep pool of liquidity for transacting in crypto assets, and ecosystem partners technology and services that enable them to build crypto-based applications and securely accept crypto assets as payment.

2. Summary of Significant Accounting Policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries. The Company's subsidiaries are entities in which the Company holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. All intercompany accounts and transactions have been eliminated. Non-controlling interest represents the value of the minority shareholders' equity at the fair value on the date of acquisition. The Company has elected to not reduce its reported income by allocating the non-controlling interest loss share to the minority interest balance because of the following substantive reasons: 1) the Company is funding 100% of the net losses of the acquired subsidiary, 2) the Company entered into a purchase option which sets the price of acquiring the non-controlling interest, regardless of continuing losses, and 3) the Company has control of and assumed substantially all of the risk and rewards of ownership of the acquired subsidiary as of the acquisition date. The Company's functional and reporting currency is the United States dollar ("U.S. dollar" or "USD").

COVID-19 impact

In March 2020, a novel strain of the coronavirus ("COVID-19") was characterized by the World Health Organization as a global pandemic. As a result of the COVID-19 pandemic, international governments implemented quarantine requirements and travel restrictions. For the years ended December 31, 2021 and 2020 and through the date the consolidated financial statements were available to be issued, the Company has experienced minimal operational effects due to being an e-commerce platform in a centralized exchange market. However, due to the widespread uncertainty over the macroeconomic factors and sovereign monetary policies which could impact consumer demand for the Company's services, the financial impact cannot be reasonably estimated at this time.

Use of estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions in the Company's consolidated financial statements and notes. Significant estimates and assumptions include the useful lives of intangible assets; the useful lives of property and equipment; fair value estimates including valuation of assets acquired and liabilities assumed in business combinations and common share valuation for stock option compensation.

Actual results and outcomes may differ from management's estimates and assumptions due to risks and uncertainties, including uncertainty in the current economic environment due to COVID-19. To the extent that there are material differences between these estimates and actual results, the Company's consolidated financial statements may be materially affected. The Company bases its estimates on various assumptions that are believed to be reasonable, the result of which forms the basis for making judgments about the values of assets, liabilities, and results of operations.

Foreign currency transactions

The consolidated financial statements are reported in U.S. dollars. The Company has exposure to foreign currency translation gains and losses arising from the Company's net investment in foreign subsidiaries. The revenues, expenses, and financial results of these foreign subsidiaries are recorded in their respective functional currencies. The results of operations and the statement of cash flows denominated in foreign currency are translated at the average exchange rate during the reporting period. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currency is translated at the historical exchange rate. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of other comprehensive income in the Consolidated Statements of Comprehensive Income. Gains and losses from foreign currency transactions are included in the Consolidated Statements of Comprehensive Income.

Reclassification of prior year presentation

Certain amounts for the year ended December 31, 2020 have been reclassified to conform to the current year presentation and there was no impact to the results of operations for the year ended December 31, 2020.

Business combinations

The results of operations of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of the acquisition. Purchase accounting requires that assets acquired and liabilities assumed of an acquired business be recorded at their estimated fair values on the acquisition date.

Any excess consideration paid over the fair value of assets acquired and liabilities assumed is recognized as goodwill. Acquisition related costs incurred by the Company are recognized as an expense in general and administrative expenses within the Consolidated Statements of Comprehensive Income.

The Company provides its best estimates and assumptions to valuation experts to assist with the calculation and allocation of fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of tangible and intangible assets acquired and liabilities assumed. Subsequent adjustments are recorded to the Consolidated Statements of Comprehensive Income.

Fair value measurements

The Company measures certain assets and liabilities at fair value. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the level of input that is available and significant to the fair value measurement:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents

Cash and cash equivalents include cash and interest-bearing highly liquid investments held at financial institutions, cash on hand that is not restricted as to withdrawal or use with an initial maturity of three months or less.

U.S. dollar denominated stablecoins

The Company considers U.S. dollar denominated stablecoins with underlying U.S. dollar collateral to be a financial instrument with a fair value equivalent to the U.S. dollar. For operational purposes, the Company earns fees in crypto assets, which are converted into U.S. dollar denominated stablecoins when earned.

Accounts receivable and allowance for doubtful accounts

Accounts receivables are contractual rights to receive cash either on demand, fixed or determinable dates, and are recognized as an asset on the Company's Consolidated Balance Sheets.

The Company recognizes an allowance for doubtful accounts for receivables that are deemed uncollectible, which occurs once collection efforts have been exhausted. Uncollectible accounts are charged against the allowance for doubtful accounts when identified. As of December 31, 2021 and 2020, the Company has not recorded any bad debt expense or allowance.

Concentration of credit risk

The Company's cash, cash equivalents, and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions which are of high credit quality.

Crypto assets held

Crypto assets, with no qualifying fair value hedge, are accounted for as intangible assets with indefinite useful lives and are initially measured at cost. The Company assigns costs to crypto asset transactions on a first-in, first-out basis. Any non U.S. dollar-denominated crypto assets received through transaction fee revenue, airdrops or forks would be recorded at their cost, however, as part of the Company's treasury management policy, these assets would be converted to U.S. dollar denominated stablecoins at the acquisition date. Crypto assets received through airdrops or forks for the benefit of exchange participants are distributed when received.

Crypto assets held are assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the crypto asset at the time its fair value is being measured. Generally, the Company does not hold crypto assets for speculative purposes, however certain crypto assets are held for trading.

There was no impairment expense for the years ended December 31, 2021 and 2020, respectively. Crypto assets held were $5.2 million and $0.6 million as of December 31, 2021 and 2020, respectively.

Crypto assets held or Crypto assets owed as a hedged item in qualifying fair value hedges are initially measured at cost. Subsequent changes in fair value attributable to the hedged risk are adjusted to the carrying amount of these crypto assets held or owed, with changes in fair value recorded in other operating expense in the Consolidated Statements of Comprehensive Income.

Property and equipment, net

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives of the Company's different types of property and equipment are as follows:

- Computer equipment – three years
- Leasehold improvements – shorter of ten years or the life of the lease
- Properties – twenty-five years
- Vehicles – six years

Goodwill and intangible assets, net

The Company evaluates the recoverability of long-lived assets on an annual basis, or more frequently whenever circumstances indicate a long-lived asset may be impaired. When indicators of impairment exist, the Company estimates future undiscounted cash flows attributable to such assets. In the event future undiscounted cash flows do not exceed the carrying amount of the assets, the asset would be considered impaired. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below the carrying value. For the periods presented, the Company recorded no impairment charges.

Intangible assets with a definite useful life are amortized over their estimated useful lives on a straight-line basis. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Intangible assets assessed as having indefinite lives are not amortized, but are assessed for indicators of impairment each period.

Derivative contracts

Derivative contracts derive their value from underlying asset prices, other inputs or a combination of these factors.

As a result of an acquisition related liability, the Company entered into an equity for crypto option transaction to satisfy a crypto asset owed liability. The differences between the fair value of the amount owed, recognized on the borrowing effective date, and the fair value of the amount that will ultimately be repaid, based on changes in the spot price of the crypto asset over the term of the borrowing is recognized as a liability. This option is accounted for as a derivative forward contract to exchange at maturity the fixed amount of the crypto asset to be repaid for equity.

Derivatives accounted for as fair value hedges

The Company may apply hedge accounting to a derivative executed for price risk management purposes. To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. The Company may use a fair value hedge primarily to hedge the fair value exposure of crypto asset price fluctuations for committed crypto assets owed. The changes in the fair value of the derivative and the fair value of the hedged item, the crypto assets owed, would be recognized in current-period earnings in other operating expense in the Consolidated Statements of Comprehensive Income. Derivative amounts affecting earnings would be recognized in the same line item as would the earnings effect of the hedged item thereby offsetting each other.

Revenue recognition

See Note 4, Revenue, for information on the Company's accounting policies for revenue recognition.

Transaction expense

Transaction expense includes costs incurred to operate the Company's platform, process trades, and perform exchange operations. These costs include account verification fees, fees to process transactions on a blockchain network and other financial institutions for customer transaction activity, fees paid to web service providers, and unrecovered liquidation expenses and customer accommodations due to network issues. Fixed-fee costs are expensed over the term of the contract and transaction-level costs are expensed as incurred.

Engineering and product

Engineering and product expense includes costs incurred in operating, maintaining, and enhancing the FTX and FTX App (formerly referred to as Blockfolio) platforms, including network and infrastructure costs. Engineering and product expense also includes costs incurred in developing new products and services and the amortization of acquired and internally developed technology.

Sales and marketing

Sales and marketing expense primarily includes costs related to sponsorship expenses, customer acquisition, advertising and marketing programs, and the amortization of acquired customer relationships, trademarks and tradename intangible assets. Sales and marketing costs are generally expensed as incurred.***Contract acquisition costs***

The Company has elected to apply the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would otherwise have been recognized is one year or less. As a result, no contract acquisition costs were capitalized.

Contractor services, related party

The Company sources personnel from related party entities. The costs included in the contractor services include personnel-related expenses such as salaries, bonuses, benefits, employer taxes, and share-based compensation as well as personnel administrative costs.

General and administrative

General and administrative expenses include costs incurred to support the Company's business, including legal, finance, compliance, human resources, customer experience and support operations, and other administrative services. General and administrative expenses also include non-contractor services, personnel-related expenses, software subscriptions for support services, facilities and equipment costs, depreciation, and other general overhead. General and administrative costs are expensed as incurred.

Share-based compensation

The Company recognizes share-based compensation expense using a fair-value based method for costs related to all equity awards granted under its equity incentive plans to employees for stock options granted under the Company's 2020 Equity Incentive Plan.

The Company estimates the fair value of stock options with only service-based conditions using the Black-Scholes-Merton option-pricing model. The model requires management to make a number of assumptions, including the fair value and expected volatility of the Company's underlying common share price, expected life of the option, risk-free interest rate, and expected dividend yield. The fair value of the underlying share is the fair value of the Company's common share on the date of grant. The expected share price volatility assumption for the Company's share is determined by using a weighted average of the historical share price volatility of comparable companies from a representative peer group, as sufficient trading history for the Company's common share is not available. The Company uses historical exercise information and contractual terms of options to estimate the expected term. The risk-free interest rate for periods within the expected life of the option is based on the U.S. Treasury zero coupon bonds with terms consistent with the expected term of the award at the time of grant. The expected dividend yield assumption is based on the Company's history and expectation of no dividend payouts.

Share-based compensation expense is recorded on a straight-line basis over the requisite service period. The Company has elected to account for forfeitures of awards as they occur, with previously recognized compensation reversed in the period that the awards are forfeited.

Income taxes

The Company accounts for its taxes in accordance with the applicable laws and regulations in the jurisdictions in which it operates. The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income.

The Company and its subsidiaries may incur direct, value-added, payroll or withholding taxes at a range of tax rates from 0% to 30% rates of in the countries where they are domiciled. Such are reflected in the Consolidated Statements of Comprehensive Income, as a separate line item.

A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon future pre-tax earnings, the reversal of temporary differences between book and tax income, and the expected tax rates in future periods.

The Company is required to evaluate the tax positions taken in the course of preparing its tax returns to determine whether tax positions are more likely than not of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax expense in the current year.

The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount that is initially recognized.

It is the Company's practice to recognize interest and penalties related to income tax matters in income tax expense.

Net income per share

The Company computes net income per share using the two-class method required for participating securities. The two-class method requires income available to common shareholders for the period to be allocated between common shares and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income per share is computed using the weighted-average number of outstanding shares of common shares during the period. Diluted net income per share is computed using the weighted-average number of outstanding common shares and, when dilutive, potential shares of common shares outstanding during the period. Potential shares of common shares consist of incremental shares issuable related to the exercise of the option discussed in Note 3, as well as the shares of participating convertible preferred shares and stock options.

Recently adopted accounting pronouncements

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The Company adopted the amendment as of January 1, 2021. Adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

On December 18, 2019, the FASB issued Accounting Standards Update No. 2019-12, Income Taxes: Simplifying the Accounting for Income Taxes ("ASU 2019-12"), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other things, the new guidance simplifies intraperiod tax allocation and reduces the complexity in accounting for income taxes with year-to-date losses in interim periods. The Company adopted the amendment as of January 1, 2021. Adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Accounting pronouncements pending adoption

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform ("Topic 848"): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* ASU 2020-04 provides for temporary optional expedients and exceptions to the current guidance on certain contract modifications and hedging relationships to ease the burdens related to the expected market transition from the London Inter-bank Offered Rate ("LIBOR") or other reference rates to alternative reference rates. The guidance is effective upon issuance and can be applied through December 31, 2022. The Company does not have LIBOR-based transactions and is currently evaluating the impact of this standard on its consolidated financial statements.

3. Acquisitions

Digital Assets DA AG

In November 2021, the Company purchased 100% of the outstanding share capital of Digital Assets DA AG ("DA AG"). DA AG is a Swiss technology and financial company that issues structured financial products, in particular, financial instruments whose price is derived from an underlying asset, in Switzerland and worldwide, and provides related services. DA AG was renamed FTX Europe AG after the acquisition. The fair value of the consideration transferred in the acquisition was $322.5 million. The following table breaks down the total purchase price (in thousands):

Purchase Consideration		**Amount**
Cash	$	229,167
Contingent Consideration-Cash		33,333
Contingent Consideration-Shares		50,000
Contingent Consideration-Additional Cash		10,000
Fair value of the consideration transferred	$	322,500

Contingent consideration of $33.3 million and 1,373,247 of the Company's common shares (valued at $50.0 million) are payable if a contract for differences (CFD) broker license is obtained within one year of the acquisition date. Further contingent consideration of $10.0 million is payable provided that a CFD broker license is obtained. The contingent consideration is estimated and recorded at fair value as of the acquisition date as part of the total consideration transferred. The contingent consideration contains a potential transfer of shares, and was evaluated for equity or liability classification. The Company determined that all of the contingent consideration should be recorded as "Purchase consideration payable" on the Consolidated Balance Sheets.

The following table summarizes the fair values of assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

Cash and cash equivalents	$	14,396
Accounts receivable		165
Related party receivable		200
Prepaid expenses and other current assets		12,986
Crypto assets held		4,942
Loan receivable		99,442
Property and equipment		421
Intangible assets		153,500
Goodwill		162,528
Other non-current assets		739
Total assets		449,319
Accounts payable and accrued expenses		1,195
Related party payable		547
Other long-term liabilities		125,077
Total liabilities		126,819
Net assets acquired	$	322,500

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill of $162.5 million.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except useful life):

		Amount	Useful Life in Years
Operating Licenses	$	152,100	n/a
Trade Names		1,400	6
	$	153,500	

The operating licenses and trade names were measured and recorded at fair value. Total acquisition costs of $0.2 million were incurred related to the acquisition, which were recorded in general and administrative expenses in the Consolidated Statements of Comprehensive Income.

IFS Group Limited

In September 2021, the Company acquired 100% equity interest of IFS Group Limited (“IFS”). IFS and its subsidiaries operate IFS Markets, an online foreign exchange and CFD brokerage services licensed by the Australian Securities and Investments Commission. IFS was renamed FTX Australia Pty Ltd after the acquisition. The fair value of the consideration transferred in the acquisition was $5.8 million. The excess of purchase consideration over the fair value of net tangible assets acquired was recorded as goodwill of $5.0 million. As of December 31, 2021, there was $0.1 million of the total purchase price included in “Purchase consideration payable” on the Consolidated Balance Sheets.

Hive Empire Trading Pty Ltd

In September 2021, the Company acquired 100% equity interest of Hive Empire Trading Pty Ltd. The fair value of the consideration transferred in the acquisition was $19.0 thousand. There was no excess of purchase consideration over the fair value of net tangible assets acquired, as such, no goodwill was recorded.

Innovatia Limited

In May 2021, the Company acquired 100% equity interest of Innovatia Limited, a company incorporated in Cyprus. Innovatia Limited wholly owns ZUBR Exchange Limited ("ZUBR"), a company incorporated in Gibraltar, which operates an online crypto assets derivatives exchange platform and is licensed by the Gibraltar Financial Services Commission. The fair value of the consideration transferred in the acquisition was $13.0 million. The excess of purchase consideration over the fair value of net tangible assets acquired was recorded as goodwill of $5.9 million. As of December 31, 2021, $7.7 million of the total purchase price will be paid in monthly installments over 17 months and is included in "Purchase consideration payable" on the Consolidated Balance Sheets.

Blockfolio, Inc.

On October 15, 2020, the Company completed the acquisition of Blockfolio, Inc ("Blockfolio") by purchasing 52% of its outstanding common shares. Blockfolio operates an app for mobile crypto asset portfolio tracking and management.

The fair value of the consideration transferred in the acquisition was $83.6 million, representing a 52% equity interest of Blockfolio. The fair market value of the Company as of the date of the transaction was $159.6 million and the fair value of the equity interest retained by Blockfolio (48%) was determined to be $76.0 million. The following table sets forth the total purchase price of $83.6 million (in thousands):

Purchase Consideration	Amount
Cash	$ 4,894
FTT Liability	78,699
Total purchase price	$ 83,593

The $78.7 million of FTT Liability represents the obligation to deliver 20 million FTT crypto asset tokens valued at the fair value of the tokens at the purchase date. FTT is an actively traded crypto asset with a market-quoted price. FTT was created by a related party to tokenize the royalty payments for the trading exchange technology platform licensed to FTX. The FTT tokens will be delivered in 24 equal monthly installments beginning May 1, 2021. The Company entered into an option with a related party, whereby the Company had the right to issue 32.5 million shares of the Company's common shares and $1 million in exchange for 20 million FTT tokens to be delivered in a manner concurrent with the Company's obligation to deliver FTT tokens to Blockfolio's selling shareholders. The Company immediately exercised this option and considers that the FTT Liability will be satisfied by the related party option in exchange for the FTX common shares. See Note 6 for further discussion.

The Company also entered into a call option with Blockfolio shareholders which allows the Company to purchase within 24 months the non-controlling minority interest (100% of the remaining outstanding shares of Blockfolio) for an agreed fixed number of FTX equity shares representing the original acquisition date transaction price. As of December 31, 2020, certain former Blockfolio shareholders requested to receive cash and the Company purchased their outstanding shares for $0.3 million, which reduced the non-controlling interest equity balance.

The following table summarizes the fair values of assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

Cash	$	451
Accounts receivable		255
Prepaid and other current assets		290
Crypto assets held		851
Property and equipment, net		9
Other assets		548
Developed technology		8,780
Customer list		4,200
Trademarks and tradenames		7,000
Goodwill		138,477
Total assets		160,861
Accounts payable		132
Accrued expenses		1,140
Total liabilities		1,272
Non controlling interest		75,996
Net assets acquired	$	83,593

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill of $138.5 million.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except for useful life):

		Amount	Useful Life in Years
Developed technology	$	8,780	5
Customer list		4,200	10
Trade names and trademarks		7,000	10
	$	19,980	

The developed technology, customer list, and trade names and trademarks represent the estimated fair value of Blockfolio's trading platform, existing relationships with customers, and money transmitter licenses held, respectively. Total acquisition costs of $1.0 million were incurred related to the acquisition, which were recorded in general and administrative expenses in the Consolidated Statements of Comprehensive Income.

The following table sets forth supplemental Unaudited Pro forma Net Revenue and Unaudited Pro forma Net Income (Loss) of the combined entity had the acquisition date been January 1, 2019:

	Year Ended December 31,			
	2020		2019	
Pro forma revenue	$	90,116	$	10,575
Pro forma net income (loss)	$	11,423	$	(12,735)

As it would be impractical to calculate Blockfolio's Proforma Net Revenue and Proforma Net Income (Loss) for the period of time in 2019 in which FTX was in operation, the full twelve months of Blockfolio's Net Revenue and Net Loss is included in the calculation of supplemental Unaudited Pro forma Net Revenue and Net Loss for the combined entity for the year ended December 31, 2019

4. Revenue

The Company determines revenue recognition from contracts with customers through the following steps:

- identification of the contract, or contracts, with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of the revenue when, or as, the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company primarily generates revenue through transaction fees and interest fees charged on the platform earned from customers that are individuals, or institutional customers, such as hedge funds, family offices, principal trading firms, and financial institutions.

The Company's service is comprised of a single performance obligation to provide a matching service when customers buy and sell crypto assets, tokenized funds, options, or futures, in addition to providing a platform for the creation, management, and redemption of leveraged tokens. The Company is an agent in arranging transactions between customers and presents revenue for the fees earned on a net basis. Certain customers, depending on their fee tiers and trading volumes, can earn negative fees on the maker side of transactions, however there is always a positive taker fee and every transaction is required to have a minimum net positive fee earned.

The Company evaluates the presentation of revenue on a gross or net basis based on whether it controls the assets before they are transferred to the customers (gross) or whether it acts as an agent by arranging for customers on the platform to create and/or exchange the crypto assets, options or futures contracts between customers (net). The Company does not control the crypto assets, futures or option contracts before they are created and/or exchanged between the maker and taker, does not have inventory risk related to the crypto assets, and is not responsible for the contract fulfillment of the underlying crypto assets. The Company also does not set the prices for the crypto assets, options, or futures, as the price is a market rate established by the participants on the platform. As a result, the Company acts as an agent in facilitating the ability for a customer to purchase from another customer.

The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and for each completed transaction.

The Company charges a fee at the transaction level. The transaction price, represented by the trading fee, is calculated based on a rate schedule and may vary depending on certain criteria. The fee rate charged per transaction is adjusted up or down if the total volume of trades and crypto asset staked for a specific historical period meets established thresholds. Fee rate changes are prospective. The Company has concluded that this volume-based pricing approach does not constitute a future material right since the discount is within a range typically offered to a class of customers with similar volume. The transaction fee is collected from the customer at the time the transaction is executed. In certain instances, the transaction fee can be collected in crypto assets, with revenue measured based on the amount of crypto assets received and the fair value of the crypto assets at the time of the transaction. All fees collected in non-USD crypto are immediately converted to USDC at the rate and time of the transaction, thereby resulting in USD revenue at the time of transaction.

The following table presents the details of revenue by source (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Future fill fees	$ 674,032	$ 65,617
Spot fill fees	160,500	5,828
Staking provider fees	58,084	-
Margin and credit related fees	45,846	686
Leveraged token fees	37,587	14,452
Unstake fees	15,456	-
Withdrawal fees	10,656	-
Insurance fund fees	10,446	3,087
Other	4,133	239
Total revenue	$ 1,016,740	$ 89,909

Future fill fees

Future fill revenue represents fees charged for transactions of net USDC settled crypto-based futures contracts. These counterparty contracts can either be perpetual or have expiration dates.

Spot fill fees

Spot fill fees are generated when two parties on the Exchange agree to exchange crypto assets at an agreed price. The Company matches the orders and the assets are exchanged. The Company is not a principal to the transactions and the price is set by the customers. The Company receives fees based on the completion, or fill of each transaction.

Staking provider fees

The Company receives certain revenues from facilitating the staking and distribution of staking rewards of crypto assets. These revenues are earned when the crypto assets are received from the ecosystem administrators.

Margin and credit related fees

Spot margin - The Company earns fees and interest revenue for margin and credit-related activities. When customers lend funds to each other utilizing the spot margin function, the Exchange charges a transaction fee based on each hourly borrowing.

Cross collateral borrowing - The Company recognizes interest revenue when a customer utilizes non-USD collateral for futures trades and the trade requires collateral funding. If the customer retains the non-USD-based collateral, then an amount equal to the funding requirement is functionally borrowed in USD with interest charged to the customer on an hourly basis.

Leveraged token fees

The Company creates investment funds that are designed to track indexes, benchmarks or crypto tokens. The pools are actively managed with trading to continue to meet objectives. Investments in these pools can be tokenized and tokens traded or withdrawn from the exchange. The Company generates fee revenue for the creation of tokens, management of the investment funds, and the redemption of tokens. Revenue is measured based on the daily management fee percentage and token creation and redemption fees and earned when each transaction is completed.

Unstake fees

The Company charges fees related to the early redemption of staked crypto assets. Each staking transaction has a predetermined fee which will be charged if the customer redeems staked crypto assets prior to prespecified staking termination conditions. These revenues are earned when deducted from customer balances upon early redemptions.

Withdrawal fees

The Company charges withdrawal fees related to certain transaction expenses incurred for the remittance of crypto assets. The fees can vary depending on the customer relationship level, amount of transfer, and customer selection of blockchain utilized to complete the transaction. These revenues are earned when the transaction is executed and funds are deducted from the customer accounts.

Insurance fund fees

The Company provides the ability to leverage collateral for futures contacts. For certain contracts which are considered highly leveraged an additional fee is added to the transaction fee. This fee is earned at the time of the transaction and is generally representative of the increased liquidation risk associated with highly leveraged trades.

Liquidation risk losses are recorded when the exchange is unable to close a trade quickly enough to cover the losses with the available collateral. The Exchange will record uncovered losses related to these liquidations when it is certain that they have occurred and collection from customers is not available. Losses related to liquidation risks were $25.7 million and $4.6 million for the years ended December 31, 2021 and 2020, respectively, and are included as transaction expenses in the period they are considered non-recoverable.

Other

The Company charges fees related to certain transaction support and configuration services related to exchange functionality. Revenues are recognized when the performance obligations are completed and payment is collected or reasonably assured.

5. Income Taxes

For the years ended December 31, 2021 and 2020, FTX Trading Ltd., which is the primary revenue-generating entity, did not incur any income taxes. The Company's subsidiaries in the Bahamas, the U.S., Switzerland, Australia, Turkey, Gibraltar, and Singapore (2020: the U.S.) are subject to taxation in such jurisdictions as determined in accordance with relevant tax legislation, further discussed in Note 14 to these consolidated financial statements.

For the year ended December 31, 2021, the Company's consolidated provision for income taxes was $51 thousand. There was no provision for income taxes for the year ended December 31, 2020.

Management regularly assesses its deferred tax position recorded based upon the weight of available evidence. There were no deferred tax liabilities as of December 31, 2021 and 2020.

6. Related Parties

The Company's primary shareholder is also the primary shareholder of several related entities which do business with the Company.

Liquidity provider, market maker and trading – Certain related party entities were the initial liquidity providers and participated in a majority of the market making transactions at the inception of the Exchange. Over time other liquidity providers have joined the Exchange and the percentage of trades involving related parties has decreased as a percentage of total revenue. The related entities do trade for their own proprietary purposes on non-market making transactions.

Exchange software royalty – The Exchange software royalty was developed by entities and parties which are significant shareholders. The Exchange software was licensed from a related entity for a fee of approximately 25% of net exchange transaction revenues, depending on the revenue mix. The Company has licensed the rights to the software code and the rights to further develop the technology.

Currency and treasury management – Certain related parties have provided currency and treasury management activities to the Company. These services include that the related entities serve as conduits of fiat, or crypto transactions, maintaining an intercompany account for and on behalf of the Company that is repayable on demand, and the provision of the same day conversion of revenue and expense transactions of crypto to USD, all at the Company's direction. A significant percentage of the Company's bill-paying activities have been facilitated through these related party service transactions.

Contractor services – Many of the Company's personnel are employed by related party entities and contracted to the Company. Costs of related party employed personnel are based on an allocation of actual payroll charges and other personnel-related expenses and include an 8% administrative overhead mark-up. The majority of personnel related costs were paid to related parties for contracted services.

Related party transactions

Liquidity provider, market making, and trading exchange transactions with a related party represented approximately 6% and 11% of total exchange transaction volume for the years ended December 31, 2021 and 2020, respectively. Because the related parties were primarily market makers which therefore generated negative commissions, net revenues (negative) for the years ended December 31, 2021 and 2020 were $(22.0) million and $(13.4) million, respectively, which represented approximately 2.2% and 14.9% of total exchange transaction revenue on an absolute basis.

Software royalties paid to a related party for the years ended December 31, 2021 and 2020 were $250.4 million and $22.7 million, respectively. These royalties are currently calculated based on 33% of net FTX exchange trading revenues, 10% of net additions to the insurance fund, and 5% of net fees earned from other uses of FTX platform.

Currency management transactions comprised a significant portion of the customer fiat transactions and expense payments to vendors in both fiat and crypto transactions. As part of the treasury management arrangements, the Company maintained an intercompany account with these related entities to facilitate certain corporate transactions. As of December 31, 2021, the intercompany account held under this arrangement amounted to $1.2 billion, with $600.0 million being remitted to the Company through to the date of this report. As of December 31, 2021, this balance is presented as "Related party receivable" on the Consolidated Balance Sheets.

As part of the currency management, these related companies also entered into an "FTX equity-for-FTT Crypto" option agreement related to the Blockfolio acquisition, whereby the Company agreed to exchange FTX equity for FTT crypto as described in the Blockfolio acquisition footnote. The FTT receivable and the FTT liability are settled in the same manner (24 equal installments), the Company has determined that the accounting for the assets and liabilities in this transaction should be marked to market. The FTT receivable and liability are marked to market based on the quoted price for the FTT tokens at the reporting date. As of December 31, 2021 and 2020, the receivable was $496.8 million and $44.6 million respectively, and is presented as "Receivable, related party" in the Shareholders' Equity section on the Consolidated Balance Sheets.

Contractor services for the years ended December 31, 2021 and 2020 were $93.6 million and $5.6 million, respectively. Of the $93.6 million and $5.6 million of contractor service expenses, 53% were allocated to sales and marketing, 12% were allocated to engineering and product, and 35% were allocated to general and administrative expenses for the years ended December 31, 2021 and 2020, respectively, based on the functional purpose of the personnel.

In October 2021, a related party sold 12.8 million of the Company's common shares to external investors in a secondary sale transaction for $301.8 million. The proceeds of the secondary sale were retained by the Company on behalf of the related party for operational expediency, and $301.8 million was included in "Related party payable" on the Consolidated Balance Sheets as of December 31, 2021. No Company assets or liabilities were affected by the transaction, and no gains and losses were recorded as a result of the transaction.

During the period ended December 31, 2019, the Company issued 96,456,750 shares of Series A preferred shares in exchange for 1,002,739 cryptographic BNB tokens. The BNB tokens were recorded at fair value as of the transaction date. The BNB tokens were subsequently loaned to a related party and are presented as "BNB receivable, related party" in the Assets section of the Consolidated Balance Sheet as of December 31, 2020. Interest is earned on the BNB receivable at a rate of 10% per year and the loan matures in November 2024. As of December 31, 2020, interest receivables from related parties were approximately $2.4 million. In February 2021, a related party purchased the BNB receivable for approximately $130.1 million.

7. Property and equipment, net

Property and equipment, net consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Computer and office equipment	$ 1,016	$ 54
Vehicles	1,031	-
Leasehold improvements	21	-
Other	548	-
	2,616	54
Less accumulated depreciation	(926)	(31)
	$ 1,690	$ 23

8. Goodwill and Intangible Assets

Goodwill

The following table reflects the changes in the carrying amount of goodwill (in thousands):

	December 31, 2021	December 31, 2020
Balance, beginning of period	$ 138,476	$ -
Additions due to acquisitions	173,422	138,476
Balance, end of period	$ 311,898	$ 138,476

Intangible assets

Intangible assets consisted of the following (in thousands):

	December 31, 2021				
	Useful Life in Years	Weighted Average Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Operating licenses	n/a	n/a	$ 157,983	$ -	$ 157,983
Developed technology	5	5	8,780	2,195	6,585
Customer list	10	10	4,200	525	3,675
Trade name and trademarks	6-10	10	8,400	875	7,525
Website domain name	15	15	330	40	290
Total			$ 179,693	$ 3,635	$ 176,058

	December 31, 2020				
	Useful Life in Years	Weighted Average Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	5	5	$ 8,780	$ 439	$ 8,341
Customer list	10	10	4,200	105	4,095
Trade name and trademarks	10	10	7,000	175	6,825
Website domain name	n/a	n/a	330	-	330
Total			$ 20,310	$ 719	$ 19,591

Amortization expense of intangible assets was $2.9 million and $0.7 million for the years ended December 31, 2021 and 2020, respectively. During the year ended December 31, 2021, the Company determined the website domain name has a remaining useful life of 15 years. The Company estimates that there is no significant residual value related to its intangible assets.

9. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities measured and recorded at fair value on a recurring basis (in thousands):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 510,507	$ -	$ -	$ 510,507
Total assets	$ 510,507	$ -	$ -	$ 510,507
Liabilities				
Crypto assets owed	$ 547,651	$ -	$ -	$ 547,651
Contingent consideration-cash	43,333	-	-	43,333
Contingent consideration-shares	-	-	50,000	50,000
Total liabilities	$ 590,984	$ -	$ 50,000	$ 640,984
Shareholders' Equity				
Receivable, related party	$ (496,401)	$ -	$ -	$ (496,401)
Total shareholders' equity	$ (496,401)	$ -	$ -	$ (496,401)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 707	$ -	$ -	$ 707
Total assets	$ 707	$ -	$ -	$ 707
Liabilities				
Crypto assets owed	$ 121,515	$ -	$ -	$ 121,515
Total liabilities	$ 121,515	$ -	$ -	$ 121,515
Shareholders' Equity				
Receivable, related party	$ (44,641)	$ -	$ -	$ (44,641)
Total shareholders' equity	$ (44,641)	$ -	$ -	$ (44,641)

The fair values of cash, accounts receivable, accounts payable, and certain other accrued expenses approximate carrying values because of their short-term nature.

10. Preferred Shares

The Company is authorized to issue up to 138,809,803 preferred shares of $0.0000026 par value, of which 96,456,750 is designated as Series A Preferred Shares, 38,155,924 is designated as Series B Preferred Shares, and 4,197,129 is designated as Series B-1 Preferred Shares.

The Company's amended and restated articles of incorporation include the following terms and conditions for all classes of preferred shares, in addition to the rights and privileges shown below:

Voting rights

The holders of preferred shares are subject to the Company's restated articles of incorporation and are entitled to the number of votes equal to the voting power of the number of shares of common shares into which their shares of convertible preferred shares can be directly converted.

Dividends

The holders of preferred shares are entitled to receive dividends equal to the number of common shares into which their preferred shares can be directly converted as of the date of record. The dividends are non-cumulative and are payable when, as and if declared by the Board of Directors.

Liquidation rights

In the event of any liquidation event of the Company (a voluntary or involuntary liquidation, a merger where the holders of common shares and convertible preferred shares own less than a majority of the resulting voting power of the surviving entity, or a sale of substantially all the assets of the Company), before any distribution or payment shall be made to the holders of common shares, the holders of preferred shares shall be entitled to receive out of the assets legally available for distribution, liquidating distributions in the amount of the greater of (i) one times the original issue price, plus any dividends declared but unpaid, or (ii) such amount per share as would have been payable had all shares of preferred shares been converted into common shares immediately prior to such liquidation.

If upon any such liquidation of the Company or deemed liquidation event, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the holders of preferred shares the full amount to which they shall be entitled, the holders of preferred shares shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Conversion

Each share of preferred shares shall be convertible, at the option of the holder at any time into such number of fully paid and nonassessable common shares as is determined by dividing the preferred shares original issue price by the conversion price in effect at the time of conversion. The conversion price is equal to the original issue price, which is $0.18972 per share for Series A, $26.21 per share for Series B, and $36.41 per share for Series B-1.

Redemption

No shares of convertible preferred shares are unilaterally redeemable by either the shareholders or the Company.

Automatic Conversion Upon Qualifying Events

The preferred stock automatically converts to common shares upon a qualified Initial Public Offering ("IPO"), Special Purpose Acquisition Company ("SPAC") transaction, or a qualified direct listing transaction.

The number of preferred shares issued during the year and outstanding at year end are as follows (in thousands):

	Series A	**Series B**	**Series B-1**
Preferred shares outstanding at December 31, 2020	96,457	-	-
Issuances	-	37,884	3,189
Conversions into common shares	(96,457)	-	-
Preferred shares outstanding at December 31, 2021	-	37,884	3,189
Total shares authorized	96,457	38,156	4,197

Series A

In October 2021, the Company's outstanding Series A preferred shares were converted into common shares at a one-to-one ratio.

See Note 11 for a discussion of a share split which occurred during 2020. The number of Series A preferred shares and amounts per share reported in the Company's consolidated financial statements and notes have been retrospectively updated to 96,456,750 to reflect the impact of the share split.

Series B

In July 2021, the Company initiated a Series B preferred share round of financing in which 37.8 million Series B preferred shares were issued for approximately $992.9 million.

Series B-1

In October 2021, the Company initiated a Series B-1 preferred share round of financing in which 3.2 million Series B-1 preferred shares were issued for approximately $116.1 million.

11. Common Shares

The Company is authorized to issue up to 755,438,749 common shares of $0.0000026 par value.

Holders of the Company's common shares are entitled to dividends if and when declared by the Board of Directors. The holders of common shares shall have the right to one vote for each share and shall be entitled to elect directors of the Company.

The number of common shares issued during the year and outstanding at year end are as follows (in thousands):

	Common
Outstanding at December 31, 2020	390,510
Issuances	46,901
Conversions from preferred shares	96,457
Outstanding at December 31, 2021	533,868
Total shares authorized	755,439

During the year ended December 31, 2020, the Company issued 4,683,009 common shares at $2.00 per share for total proceeds of $9.4 million.

In April 2020, the Company effected a share split, whereby each outstanding share of common shares and Series A preferred shares was split into 385,827 shares. The number of authorized shares were also increased to account for the additional outstanding shares. The number of shares and amounts per share reported in the Company's consolidated financial statements and notes have been retrospectively updated to reflect the impact of the share split.

As of December 31, 2021, $6.3 million of unpaid stock option exercises were recorded as "Subscription receivable" in the Consolidated Statements of Shareholders' Equity, and were fully paid as of the date of issuance of the consolidated financial statements.

12. Net Income Per Share

The computation of basic and diluted net income per share is as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Numerator:		
Net income	$ 388,462	$ 16,696
Less: Undistributed net income allocated to participating convertible preferred shares	(63,228)	(3,307)
Net income, basic	$ 325,234	$ 13,389
Add: Undistributed net income allocated to participating convertible preferred shares	63,228	3,307
Less: Undistributed net income reallocated to participating convertible preferred shares	(59,433)	-
Add: Undistributed net income allocated to participating convertible preferred shares	59,433	-
Less: Undistributed net income reallocated to participating convertible preferred shares	(59,106)	-
Diluted net income	$ 329,356	$ 16,696
Denominator:		
Basic weighted-average shares outstanding	428,089	387,859
Add: Incremental shares for:		
Dilutive effect of shares issuable to related party (Note 3)	32,511	6,858
Dilutive effect of stock options	2,996	-
Dilutive effect of participating convertible preferred shares	-	96,457
Diluted weighted-average shares outstanding	463,596	491,174
Net income per common share:		
Basic earnings per share	$ 0.76	$ 0.03
Diluted earnings per share	$ 0.71	$ 0.03

Basic income per common share is computed by applying the two-class method, where the numerator is adjusted for undistributed net income allocated to participating convertible preferred shares. Diluted net income per share is calculated utilizing the more dilutive of the if-converted method or the two-class method. For the year ended December 31, 2021, the two-class method was utilized to calculate diluted earnings per share. The weighted average effect of 15,688,984 stock options were excluded from diluted net income per share as the effect would have been anti-dilutive.

To calculate the diluted weighted-average common shares outstanding for the year ended December 31, 2020, the number of incremental shares assumed outstanding from the shares issuable to a related party is calculated by applying the if-converted method. To calculate the incremental shares from the assumed conversion of participating convertible preferred shares, the Company applied the if-converted method. Under this method, the numerator is adjusted for undistributed net income allocated to participating convertible preferred shares for the year ended December 31, 2020. There were no excluded anti-dilutive securities for the year ended December 31, 2020.

13. Share-Based Compensation

The Company's 2020 Equity Incentive Plan, as adopted October 8, 2020 (the "Plan"), provides for the grant of incentive stock options and non-qualified stock options to employees, officers, directors and consultants of the Company or its subsidiaries to purchase common shares. Incentive and non-statutory stock options may be granted with exercise prices not less than the estimated fair value of the Company's common shares on the date of grant, which fair value is determined by the Board at its sole discretion. Options granted through December 31, 2021 generally vest over terms ranging from eighteen months to five years. The Company has authorized 88,582,500 shares of common shares under the Plan for issuance.

Options granted under the Plan expire no later than ten years from the date of grant. Incentive stock options granted under the Plan vest over periods determined by the Board. During the year ended December 31, 2021, the Company began granting options under the Plan, which included time-based vesting awards and one performance-based vesting award. The time-based awards generally vest over several different vesting schedules approved by the Board. Compensation expense is recognized straight line over the vesting period.

The fair value of each stock option granted during 2021 was estimated as of the date of grant using the Black-Scholes option valuation model with the following average assumptions:

	December 31, 2021	December 31, 2020
Dividend yield	—	—
Expected life (years)	6.0	—
Risk-free interest rate	0.95%	—
Estimated volatility	54%	—

Share-based compensation expense was $9.0 million for the year ended December 31, 2021.

Using the Black-Scholes option valuation model, the weighted-average estimated fair value of stock options granted during the year ended December 31, 2021 was $3.34. As of December 31, 2021, the total unamortized compensation expense related to share-based awards granted was approximately $140.2 million, which is expected to be amortized over the next 3.5 years.

Summary of Activity (in thousands, except price and life)

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2020	-	-	
Granted	68,739	6.88	
Exercised	(46,786)	10.36	
Forfeited	(1,015)	2.28	
Outstanding at December 31, 2021	20,938	$ 8.74	9.7
Exercisable at December 31, 2021	454	$ 7.66	9.3

Early exercise feature of certain stock options

The Plan permits certain option holders to exercise awarded options prior to vesting. Upon early exercise, the unvested options are subject to repurchase by the Company upon termination at the same price exercised. These unvested shares are reported as issued, but not outstanding while subject to repurchase by the Company and are also excluded from the basic and diluted net loss per share calculation until the repurchase right lapses upon vesting.

As of December 31, 2021, all stock options with early exercise features were immaterial if early exercised and the Company reported no corresponding liability in the Consolidated Balance Sheet.

The Company has made commitments to pay $63.3 million of certain promotional marketing expenses with common shares valued at the prevailing common share price as of the agreement date. Promotional expense related to these arrangements is recognized as sales and marketing expense over the period the services are provided which is the same as the period the shares are earned on a pro-rata basis, however, the shares will be issued at the end of the agreement period. As of December 31, 2021, 1,193,216 of shares out of a total of 2,415,259 shares committed were vested but unissued.

As of December 31, 2021, the Company has recognized $31.7 million of sales and marketing expenses related to these arrangements and recorded as Share-based marketing expenses in the Consolidated Statements of Shareholders' Equity.

14. Commitments and Contingencies

Crypto asset wallets

The Company has committed to securely store all crypto assets it holds on behalf of users. As such, the Company may be liable to its users for losses arising from theft. The Company has no reason to believe it will incur any expense associated with such potential liability because (i) it has no known or historical experience of claims to use as a basis of measurement, (ii) it accounts for and continually verifies the amount of crypto assets within its control, and (iii) it has established security around custodial private keys to minimize the risk of theft or loss. Since the risk of loss is remote, no liability is recorded as of December 31, 2021 and 2020, respectively.

Legal proceedings

The Company is subject to various litigations, regulatory investigations, and other legal proceedings that arise in the ordinary course of its business. The Company is also subject to regulatory oversight by numerous regulatory and other governmental agencies. The Company reviews its lawsuits, regulatory investigations, and other legal proceedings on an ongoing basis and provides disclosure and records loss contingencies in accordance with the loss contingencies accounting guidance. In accordance with such guidance, the Company establishes accruals for such matters when potential losses become probable and can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be estimated, the Company discloses the possible loss in the consolidated financial statements.

Tax regulation

Current promulgated tax rules related to crypto assets are unclear and require significant judgments to be made in interpretation of the law, including but not limited to the areas of income tax, information reporting and the withholding of tax at source.

Additional guidance may be issued by the IRS, Department of the Treasury, or other governing bodies in the Company's or its subsidiaries jurisdictions that may significantly differ from the Company's interpretation of the law, which could have unforeseen effects on our financial condition and results of operations, and as a result, the related impact on our financial condition and results of operations is not estimable.

Sponsorships

During the year ended December 31, 2021, the Company initiated several long-term promotional relationships that either involve significant financial commitments or guarantees with various parties. Generally, the Company pays periodic fees in exchange for naming or sponsorship rights, and the length of the agreements' terms range from one to 20 years. The Company accounts for the sponsorship arrangements as advertising costs that will be expensed as incurred in accordance with ASC 720-35. The future payments for sponsorship commitments are as follows (in thousands):

Years Ended December 31,		
2022	$	127,827
2023		105,480
2024		85,421
2025		53,659
2026		47,841
Thereafter		80,783
Total	$	501,011

Property commitments

During 2021, the Company entered into certain commitments to purchase real estate of approximately $112.2 million. As of December 31, 2021, deposits of $13.3 million were included in "Other non-current assets" on the Consolidated Balance Sheet, and the Company had unpaid real estate related commitments of $98.9 million which are expected to be paid within the next 12 months.

15. Subsequent Events

The Company has evaluated subsequent events that occurred after the Consolidated Balance Sheet date through auditor's report date of April 2, 2022, which represents the date the consolidated financial statements were available to be issued. The Company is not aware of significant subsequent events that have not been disclosed herein that would have a material impact on these consolidated financial statements.

In January 2022, the Company initiated a Series C preferred share round of financing in which 9.4 million Series C preferred shares were issued for approximately $437.6 million.

In March 2022, the Company entered into a share purchase agreement to acquire a Luxembourg-based company, BTC Africa S.A., that operates AZA Finance, a pan-African digital foreign exchange and payments services platform (collectively referred to as "AZA"). AZA was acquired for approximately $222.0 million in cash with a holdback component. The acquisition of AZA is expected to be completed later in 2022.

In November 2021, the Company entered into an agreement with various parties to acquire 100% equity interest of Liquid Group Inc ("Liquid"), a Japanese company, for a purchase consideration of $151.9 million. Liquid operates a crypto asset exchange focusing on providing liquidity in the Japanese crypto asset market. The acquisition is expected to be completed by June 2022.

During 2022, prior to the date of issuance, the Company has initiated several long-term promotional relationships that either involve significant financial commitments or guarantees with various parties. The length of the agreements' terms ranges up to five years and the aggregate amount of these commitments is approximately $75.5 million.

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FTX TRADING LTD., *et al.*,[1]	Case No. 22-11068 (JTD)
Debtors.	(Joint Administration Pending)

DECLARATION OF JOHN J. RAY III IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, John J. Ray III, hereby declare under penalty of perjury as follows:

1. I am the Chief Executive Officer of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), having accepted this position in the early morning hours of November 11, 2022. I am administering the interests and affairs of the Debtors from my offices in the United States.

2. My first official act in these roles was to authorize the chapter 11 filings of the Debtors and the commencement of the above-captioned chapter 11 cases (the "Chapter 11 Cases").

3. Since my appointment, I have worked around the clock with teams of professionals at Alvarez & Marsal, Sullivan & Cromwell, Nardello & Co., Chainalysis, Kroll and a confidential cybersecurity firm, to secure the assets of the Debtors wherever located, to identify reliable books and records, to assemble the information necessary to provide to this Court, and to respond to numerous inquiries from multiple regulators and government authorities including the

[1] The last four digits of FTX Trading Ltd.'s tax identification number are 3288. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at https://cases.ra.kroll.com/FTX.

U.S. Commodity Futures Trading Commission ("CFTC"), the U.S. Attorney's Office for the Southern District of New York, the U.S. Securities and Exchange Commission ("SEC"), and the U.S. Congress, among others.

4. I have over 40 years of legal and restructuring experience. I have been the Chief Restructuring Officer or Chief Executive Officer in several of the largest corporate failures in history. I have supervised situations involving allegations of criminal activity and malfeasance (Enron). I have supervised situations involving novel financial structures (Enron and Residential Capital) and cross-border asset recovery and maximization (Nortel and Overseas Shipholding). Nearly every situation in which I have been involved has been characterized by defects of some sort in internal controls, regulatory compliance, human resources and systems integrity.

5. Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here. From compromised systems integrity and faulty regulatory oversight abroad, to the concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals, this situation is unprecedented.

6. These Chapter 11 Cases have five core objectives:

(a) **Implementation of Controls:** the implementation of accounting, audit, cash management, cybersecurity, human resources, risk management, data protection and other systems that did not exist, or did not exist to an appropriate degree, prior to my appointment;

(b) **Asset Protection & Recovery:** the location and security of property of the estate, a substantial portion of which may be missing or stolen;

(c) **Transparency and Investigation:** the pending, comprehensive, transparent and deliberate investigation into claims against Mr. Samuel Bankman-Fried, the other co-founders of the Debtors and third parties, in